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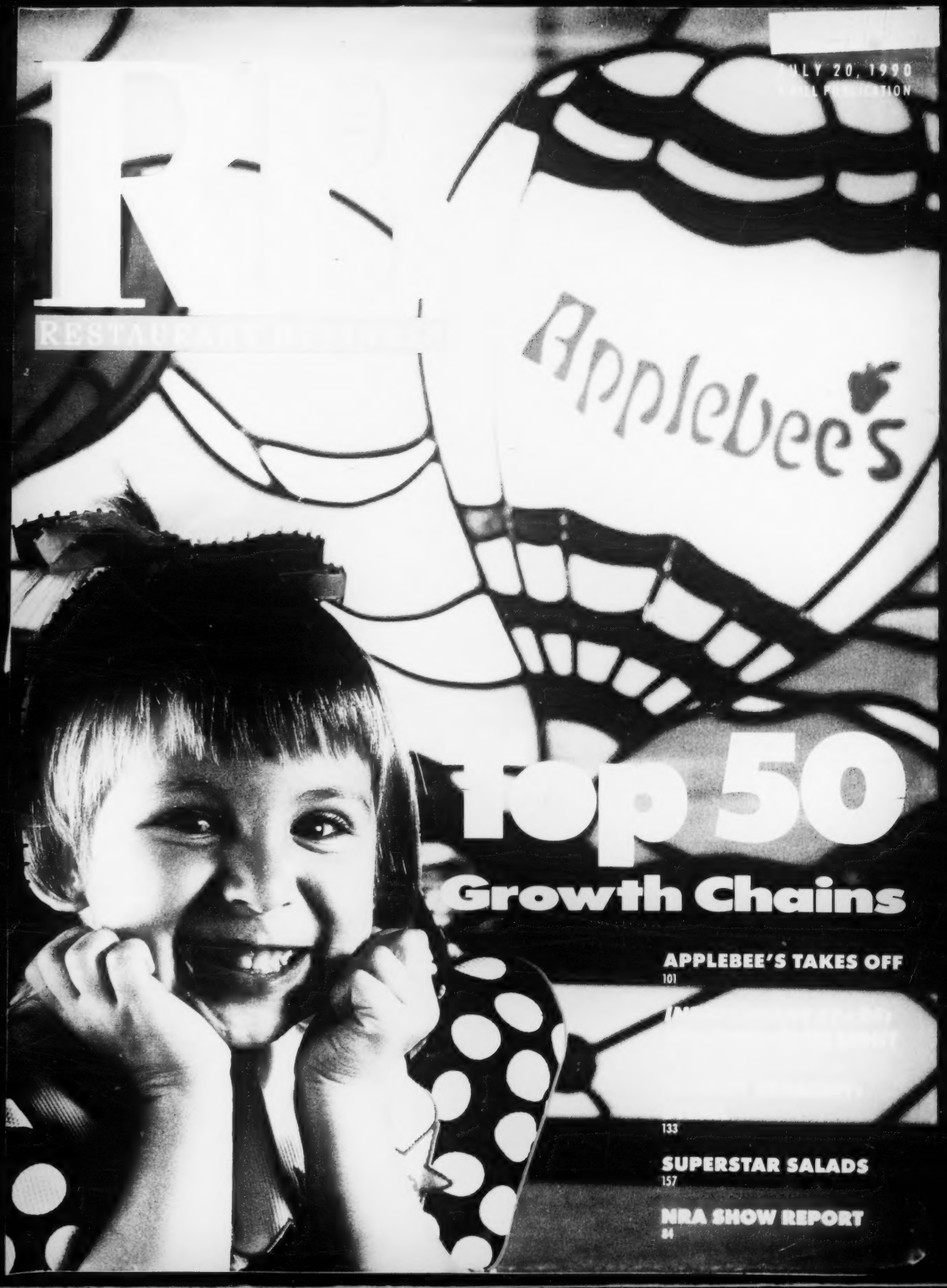

Top 50 Growth Chains

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BUSINESS BAROMETER

Smoke Going Out of Employee Dining

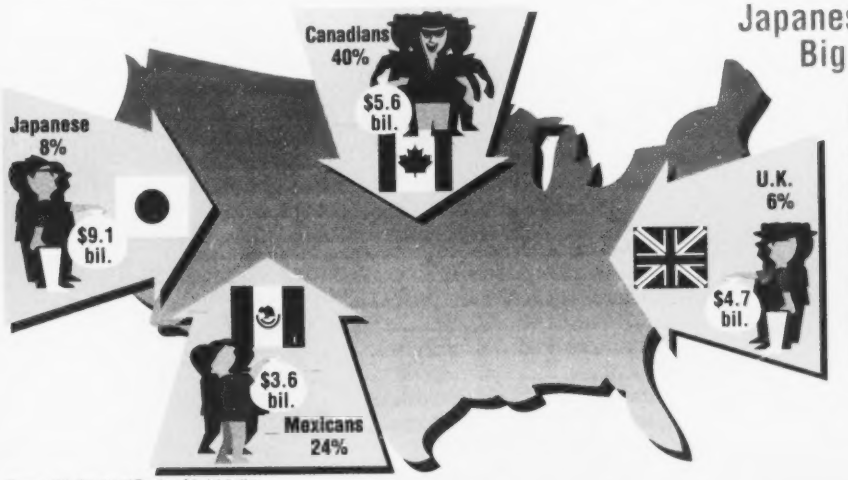
In a recent poll, operators of corporate dining facilities said they are favorably responsive to having non-smoking sections.

	YES	NO
Do you currently have a separate non-smoking section?	88%	12%
Would/has creating a non-smoking area create any problems?	24%	76%
Are you in favor of creating non-smoking sections?	95%	5%

Source: Society For Foodservice Management Members Respond Poll

Japanese Tourists In U.S. Biggest Spenders

More foreign visitors arrive in the U.S. during summer months than at any other time, and although Canadians visit in larger numbers, the Japanese spend more.



Source: U.S. Travel and Tourism Administration

Weight Control Industry Expands

The worldwide weight control industry, largely consisting of diet foods and beverages, is expected to grow at the average annual rate of 7.8% a year over a five year period. The U.S. market represents 90% of total sales.

Fastest-growing diet foods: yogurt, frozen novelties and dinners, breakfast foods

Fastest growing diet beverage products: root beer, carbonated waters

Source: Business Communications Co. Inc., Norwalk, CT.

Charts by Peter K. Niceberg

RESTAURANT BUSINESS

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Cover photograph by Hank Young/Black Star

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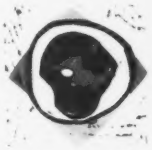

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MAJOR FEATURE TRENDS IN HOTEL DINING
Some of the world's finest meals are enjoyed in hotel restaurants, but the bread-and-butter of this business is in the numbers game. Call it catering, function business, or banquets, there is money to be made in group dining, but special problems to be solved as well.

MARKET REPORT CHICKEN
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Hand-held is hot, but so are unitized family meals to take home and reheat or cook. Chilled entree salads are the new wave in deli fare.

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Premium brand cocktails provide some excitement for operators in a generally flat market.

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FOODSERVICE EMPLOYMENT

Strong Growth Forecasted for Foodservice Employment

According to estimates by the Department of Labor's Bureau of Labor Statistics, employment at U.S. eating-and-drinking places will grow 24% to reach 7.8 million people by the year 2000 – employing close to 6% of the U.S. labor force. The foodservice industry as a whole – which includes employment at eating-and-drinking places as well as individuals employed in foodservice occupations in other segments (hotels, institutions) – is expected to reach more than 10.7 million workers by 2000, up from 8.7 million in 1988.

SOURCE: National Restaurant Association

STEVE HULL

A Call To Save The Planet

America's taste for beef, fish, and chicken is taking its toll on the planet Earth, according to Michael Klaper, who as scientific director of Earth Save, an environmental organization based in Los Angeles, tracks such phenomena as land and water depletion.

Klaper says that a chicken dinner for one requires 4 lb. of grain and 400 gallons of water to produce. A hamburger from a fast-food restaurant using South American beef contributes to rain forest destruction, and eating ocean fish depletes a vital link in the world's food chain, he claims.

Klaper made these observations at a June lecture at the UCLA Extension School. While not making a call for strict vegetarianism, Klaper advocates moderation. "We have to scale down the demands we make on the earth," he says.

Klaper says the use of large amounts of grazing space for cattle could be converted to other uses that would provide more food for more people.

–Kevin Farrell

continued on page 46

Retailing Races Toward The Millenium

Retailing in the 1990s will be local-market focused and marked by diversity, democracy, and decentralization, according to forecasters at Management Horizons, a Dublin, OH-based consulting firm.

The firm released a study called Retailing 2000, predicting the decline of the mass market in favor of thousands of market niches and strong local stores with intensely personalized service.

"Relationship merchandising will turn the conventional retail organization upside-down, focusing on individual customers at the store level, concluded executives of Management Horizon, a division of Price Waterhouse, in their summary report. "Tomorrow's retail organization will be flat, lean, and very decentralized."

In order to be a successful player in the "transitional" phase between now and the millenium, the forecasters said retailers must:

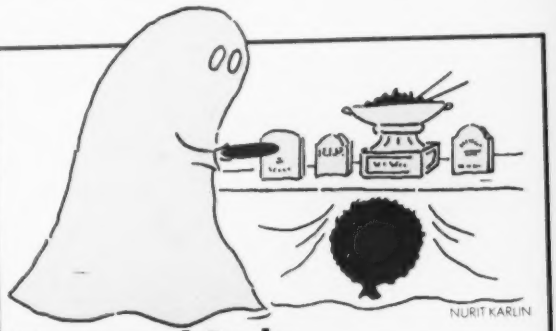
- acquire access to capital;
- embrace technology;
- decentralize authority to the front lines at the store level; and
- share power with employees.

Among the changes forecast were the demise of the shopping mall in favor of multiuse complexes that offer combined living, workplaces, entertainment, and shopping facilities.

Department stores left after Chapter 11 will offer focused assortments of general merchandise and food, as well as auxiliary businesses such as catering and travel services, the report said. Furthermore, specialized mass merchandisers will continue to gain market share in categories where price value are key.

Carl Steidtmann, chief economist of Management Horizons, predicts economic growth and low inflation will continue but that profits will be low in the retail sector because of low inflation rates.

–Marilyn Alva



NURIT KARLIN

Graveyard Grubs For Groggy Gamblers

Late nighters in Las Vegas' Aladdin Hotel might deem it portentous to grab some wee-hour food from the 1,100-room hotel's newest, albeit eerie-named offering: the graveyard Chinese buffet. But, at least here, they won't get a run for their money or their luck.

The graveyard Chinese buffet is open from 11 p.m. to 4 a.m. and offers an amalgam of Asian and American dishes, such as beef and broccoli, chow mein, sesame chicken, and prime rib—all for $4.99.

Noting that the name for the hotel's newest food concept is rather odd and perhaps even macabre, Aladdin's Food & Beverage director, Bill Henning, seemed nonchalant.

"We had several different opinions about the name," he says, noting that a runner-up was late night buffet. "But we wanted to get our point across and some power-that-be in the hotel wanted 'graveyard'—to distinguish between breakfast, lunch, and dinner."

With no pun intended, Henning says that the graveyard buffet has increased "the number of bodies" that traffic the hotel in the late hours.**–Diane Kochilas**

RB
RESTAURANT BUSINESS

COVER STORY

Top 50 Growth Chains

IN A TIME WHEN A number of major restaurant chains have had to grow cautiously and watch the bottom line, there are those smaller and medium-sized food service companies that have found their expansion niches. Once again, with the help of Chicago-based consulting firm Technomic Inc., *Restaurant Business* offers its exclusive report on the 50 fastest-growing second-tier chains with sales of between $20 million and $300 million. These low-profile performers are ranked in terms of both 1989 sales and unit growth. Our comprehensive report includes a profile of this year's number-one growth chain, Applebee's Neighborhood Grill & Bar, which had 87.5% sales growth from 1988 to 1989. Listings of the other 49 top-ranked growth chains, with a recap of their concepts and growth strategies, follows. *Continued on page 102*

The formerly obscure regional chain is now on a hot growth track soaring toward the goal of fast becoming a nationwide player.

SOARING LIKE the brightly colored hot air balloons depicted in its dining room murals, Applebee's Neighborhood Grill & Bar is this year's hottest second-tier growth chain and the casual-dining segment's most rapid fire franchisor. The formerly obscure regional chain is soaring toward a goal of becoming a nationwide player. It's also flying in the face of the conventional wisdom that considers franchising casual-dining restaurants a difficult, risky business.

Kansas City, MO-based Applebee's International Inc., the parent company, began as a franchisee of the since-dissolved Creative Food 'N Food Division of W.R. Grace & Co. Between March 1988, when it acquired the chain from Grace, and year-end 1989, it grew Applebee's system from 54 units to 115 units. It increased systemwide sales over that period by 87.5% from $80 million to $150,000 million. The count reached 123 units in 23 states at the end of first quarter 1990, tracking toward a projected year-end total of 200 units.

HYBRID. What makes Applebee's fly? The company believes it is filling a distinct unserved niche: a hybrid of a fast-food restaurant and casual-dining restaurant, systematized into a relatively simple, streamlined form. It features a varied menu, low price points, friendly "neighborhood" atmosphere, and a prominent but not dominating bar. The company believes that this concept has broad appeal and high customer frequency.

"The fast-food customer trades up to Applebee's for a lot more options and not much difference in price," says Burton "Skip" Sack, the president of Braintree, MA-based Pub Ventures of New England Inc., Applebee's New England franchisee. "He's spending about $4.50 for a big burger, fries, and soft drink already, but for $6.50 at Applebee's he gets full service, a full bar, and a much more varied menu."

In addition, value-conscious customers are trading down from higher priced dinner houses, Sack says.

ROI. Applebee's approximately 168-seat, 3,800-sq.-ft. to 4,350-sq.-ft. sized building has lower development costs than those of major casual chains that range 6,000 sq. ft. to 8,000 sq. ft. It's adaptable to strip center, mall, and freestanding sites. Figuring land and building, the cost for an Applebee's unit is about $1.2 million. In a strip mall "end cap" location, it ranges from $125,000 to $600,000.

The compact stores produce an average unit volume of slightly more than $1.6 million, providing a good return on investment in suburban Kansas City, Atlanta, and Minneapolis, not to mention smaller markets such as Spartanburg, SC, and Cranston, RI.

VETERANS. Applebee's International is led by a pair of veteran fast-food operators. Chairman of the board John Hamra formerly operated a 23-unit Wendy's franchise group in Kansas City and 25-unit Wendy's franchise group in San Diego. President Abe Gustin formerly operated 18 Taco Bells in Kansas City.

The concept that caught their eye was founded in 1980 in Atlanta by William F. Palmer, who subsequently sold it to Grace and remains the Atlanta franchisee.

Gustin became an Applebee's franchisee in 1986, frustrated by a lack of growth in his Taco Bell territory. Hamra joined him to help engineer a $20.5 million acquisition of Applebee's from Grace in 1988. In September 1989, Applebee's International held an initial public stock offering that has enabled it to pay down its debt.

Bar sales are an add-on, not a major emphasis. The 75/25 food/liquor ratio is in keeping with the desired comfort level for a clientele that includes families with children as well as adults.

Gustin projects that Applebee's is capable of growing to at least 850 units. However, he says that figure might be re-

1 Applebee's
Kansas City, MO

RANK BY UNITS: 3

1989 U.S. Systemwide Sales:	**$150,000,000**
1989 U.S. Systemwide Units:	**115**

Applebee's has increased its systemwide sales by 87.5% and has more than doubled its units over the past year. The company has assigned more than 50% of the ADI's in the country to franchisees, and by year end expects to have franchisees in 90% of the 50 states for a total of 200 units. The company is filling an unserved niche: a hybrid of fast-food restaurant and casual-dining restaurant, systematized into a relatively simple, streamlined form. The concept features a varied menu, low price points, friendly "neighborhood" atmosphere, and a prominent but not dominating bar.

The management team: John Hamra, chairman; Johyne Reck, executive vice president of marketing; Robert T. Steinkamp, general counsel; Abe Gustin, president; and Ronald Reck, human resources consultant.

The compact 50-item menu features a broad sprinkling of American favorites and ethnic specialties in a format that is revised biannually. Pictured: Chix, Stix & Pita, charbroiled chicken tenders to wrap in pita wedges with herb sauce.

vised up as high as 1,200 if the concept proves feasible in small markets with populations of 30,000 to 50,000. Volumes of better than $2 million in places such as Aiken, SC, and other small towns make him suspect this is so.

"I don't agree with those who say it's impossible to franchise casual dining," says Gustin. "As former franchisees ourselves, we know the needs of the franchise community. We know how to design successful operating procedures. And we select quality, experienced people."

Sack is one such experienced operator, a former senior vice president of Howard Johnson restaurants with nearly 30 years of industry involvement. "I toured the Atlanta operations and liked the people, the systems, and the return on investment. I felt that the niche was right where it should be."

Today, Sack has seven Applebee's—three in Massachusetts and a pair each in Rhode Island and New Hampshire. Five of his stores will do more than $2 million this year, New England's economic downturn notwithstanding. He anticipates five more openings this year, and six more in 1991, and thereafter, a public stock offering.

Another experienced franchisee is Milwaukee-based Marcus Restaurants Inc., which recently acquired the Applebee's franchise rights for the state of Wisconsin and the Chicago area. It has some 80 current holdings in the Midwest, predominantly Big Boy and Kentucky Fried Chicken units, plus a few specialty dinner houses.

"We studied Applebee's in Minneapolis, Atlanta, and Boston for a year, and we were delighted," says Marcus president Wayne Jones. "We feel the concept is truly expandable nationwide and can deliver a potentially large return on a relatively small investment."

OUTSIDE OPINION. The opinion of competitors can be telling also. "It's a strong concept, with good speed of service, executed fairly consistently, that seems very profitable. They keep it simple and maintain good price/value," says Keith Dunn, president of Asheville, NC-based McGuffey's Restaurants, a five-unit casual chain that competes against Applebee's in Greenville, SC, and Knoxville, TN.

"If there's a weakness, it may be in expanding too quickly, which of course can lead to deficiencies in training and customer satisfaction," says Dunn. "We wouldn't consider franchising McGuffey's because our systems are too complicated."

Applebee's International relies on franchisee consultants in the field to make sure franchisees toe the line. Responsible for a maximum of 20 units, they make scheduled and unannounced inspections to verify that specified procedures and products are in use.

"The franchise consultants are very rigid in demanding that you follow company specifications," says franchisee Sack. "I've never seen such detail-mindedness in other organizations."

BROAD MENU. Food research and development is a strong emphasis for Applebee's. The compact 50-item menu features a broad sprinkling of American favorites and ethnic specialties in a format that is revised biannually. The check average is about $5.75 at lunch, $7.50 at dinner. Food is served until midnight or later in most markets, capitalizing on late-night snack business.

The Munchies menu section includes supreme nachos topped with chili, jalapeños, and guacamole ($4.99) and Buffalo chicken wings ($3.99). Sandwiches and burgers range from a Greek-inspired gyro sandwich on pita bread ($3.99) to a broiled Cajun whitefish sandwich ($4.99) and the double-decker Applebee Burger ($4.49). Neighborhood Specialties entrees are just as diverse, with items such as riblets barbecued rib tips ($6.99), steak or chicken fajitas ($6.99), chicken Parmesan with garlic fettuccine ($6.49), and the Bourbon Street sizzler, a Cajun spiced and marinated 10-oz. sirloin steak ($7.99). Rounding out the menu are salads, soup and salad combos, and desserts like apple-honey cobbler à la mode ($2.50).

FLEXIBILITY. Applebee's core-optional menu system maintains company standards, yet allows flexible menu addi-

continued on page 108

Between March, 1988 and year-end 1989, Applebee's grew from 54 to 115 units. It increased systemwide sales by 87.5%.

tions in keeping with the neighborhood image. Some 70% of the menu is standard chainwide, the rest is nominated by franchisees and approved by corporate. Examples of regional items are broiled swordfish in New England and fajita quesadillas in the Southwest.

"We have very much a partnership attitude," says Ronald Marks, director of menu development. "If franchisees want an item tested, we'll do it."

In turn, sometimes franchisee-inspired items achieve core menu status, such as riblets, developed by Applebee's founder and current franchisee Palmer. One of the most popular items, a typical store sells 400 lb. of riblets per week, Marks says.

The menu's compact size and relative simplicity is determined by speed of service and consistency. There's an allowable 15-minute service window. "If the item takes longer than 12 minutes, it's no-go," says Marks. "Eight minutes is ideal."

Price points and variety are also vital considerations. "We have to keep the price points very close to fast food, because we want the customers back several times per week," says Mike Amos, vice president of operations for Sandia Holdings, a Scottsdale, AZ-based franchisee. "We've also had to keep the menu fresh so they don't get bored."

Applebee's follows a decentralized marketing program under the theme "America's favorite neighbor." TV has been used in its developed Atlanta and Kansas City markets. Elsewhere, POS materials, direct mail, newspaper, and radio spots get the message out.

The concept features a friendly 'neighborhood' atmosphere, and a prominent but not dominating bar.

This summer, Applebee's is marketing a Lite & Healthy salad promotion. The four-item selection includes Eat Smart, Eat Right, a garden vegetable platter topped with fajita chicken strips, greens, cottage cheese, and dipping sauce, and Peking Chicken Salad, a combo of sesame-ginger chicken, mushrooms, peanuts, greens, and crisp noodles. Supporting the promotion are a banner, poster, table tents, newspaper ad, radio spot, and direct-mail postcard.

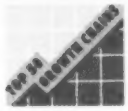
"We encourage our restaurants to blend in with the character of their neighborhoods," says executive vice president-marketing Johyne Reck. For example, Sandia Holding's Mesa, AZ, Applebee's is decorated with Phoenix Suns and Arizona State University sports memorabilia. In New England, franchisee Sack makes use of direct mail pieces.

High-flying franchisors have crashed and burned in the past. Time will tell if Applebee's can maintain its quality standards while growing at an unprecedented rate. For now, the picture is one of a chain off to a flying start and laying groundwork for the future.

–James Scarpa

continued on page 110

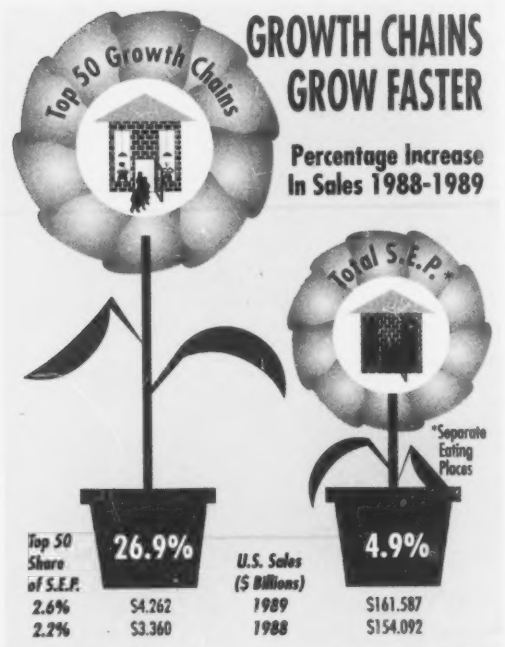
RANKED BY PERCENTAGE INCREASE IN SALES AND UNITS



Sales Rank	Chain	U.S. System Sales ($000) 1989	1988	% Sales Change 1988-89	Avg. Unit Vol. ($000) 1989	U.S. System Units 1989	1988	% Unit Change 1988-89	Unit Rank
1	APPLEBEE'S	$150,000	$80,000*	87.5%	$1,650	115	67	71.6%	3
2	SOUP EXCHANGE	46,060	25,360	81.6	1,750	29	16	81.3	1
3	RALLY'S	132,620	74,052	79.1	918	192	109	76.1	2
4	OLD COUNTRY BUFFET	115,376	71,751	60.8	1,950	78	58	34.5	8
5	HOOTERS	60,000	39,000	53.8	1,800	33	23	43.5	7
6	I CAN'T BELIEVE IT'S YOGURT	43,000	29,000	48.3	210	284	180	57.8	4
7	L&N SEAFOOD	52,800	36,000	46.7	2,200	24	18	33.3	9
8	SOUPLANTATION	35,000	24,000	45.8	1,900	18	12	50.0	5
9	EL POLLO LOCO	175,000*	120,900	44.7	1,010	192	149	28.9	12
10	RUTH'S CHRIS STEAK HOUSE	55,000	38,000	44.7	2,100	26	20	30.0	10
11	AU BON PAIN	58,000	43,000	34.9	1,000	71	57	24.6	16
12	LAMP POST PIZZA	47,736	36,504	30.8	612	78	72	8.3	41
13	PIZZERIA UNO	87,647	67,349	30.1	1,584	63	51	23.5	17
14	EVERYTHING YOGURT	65,000*	50,000*	30.0	400	300	200	50.0	6
15	RUBY TUESDAY	166,000	128,000	29.7	1,700	98	80	22.5	20
16	CRACKER BARREL	190,186	147,625	28.8	2,612	79	67	17.9	26
17	CINNABON	32,000*	25,100	27.5	268	125	97	28.9	11
18	SBARRO	196,600	154,400*	27.3	533	369	301	22.6	19
19	RYAN'S FAMILY STEAK HOUSE	295,312	234,000	26.2	2,208	141	122	15.6	32
20	LEVY RESTAURANTS	65,000*	52,000*	25.0	1,975	33	31	6.5	44
21	RED ROBIN	124,000	100,000	24.0	3,200	58	47	23.4	18
22	HUDDLE HOUSE	55,000	44,500	23.6	356	179	147	21.8	22
23	MAGIC PAN	48,000*	38,862	23.5	1,200	40	34	17.6	28
24	LE PEEP	38,000*	31,000	22.6	595	69	67	3.0	47
25	LONGHORN STEAKS	38,000*	31,000*	22.6	1,875	22	18	22.2	21
26	BLACK-EYED PEA	88,000*	72,000*	22.2	1,415	70	55	27.3	13
27	A&W RESTAURANTS	157,872	129,829	21.6	263	602	476	26.5	14
28	GOLD STAR CHILI	40,000*	33,000*	21.2	420	97	83	16.9	29
29	SPAGHETTI WAREHOUSE	31,000	25,700	20.6	2,300	13	12	8.3	40
30	O'CHARLEY'S	36,000	30,000	20.0	1,500	24	19	26.3	15
31	HUNGRY HOWIE'S	50,000	42,000	19.0	310	160	140	14.3	33
32	VIE DE FRANCE	38,000	32,000	18.8	1,000	57	51	11.8	34
33	IN-N-OUT BURGER	33,000*	28,000*	17.9	625	56	46	21.7	23
34	VALENTINO'S	32,000	27,200	17.6	800	40	34	17.6	27
35	GARCIA'S	72,258	61,626	17.3	1,768	49	44	11.4	36
36	THE AMERICAN CAFE	35,000*	30,000	16.7	2,200	14	12	16.7	30
37	MAID-RITE SANDWICH SHOPS	56,000*	48,000	16.7	340	180	148	21.6	24
38	BAKERS SQUARE	216,800	189,400	14.5	1,424	159	150	6.0	45
39	NATHAN'S FAMOUS	40,000*	35,000	14.3	950	46	38	21.1	25
40	HOUSTON'S	81,000	71,176	13.8	4,263	18	18	0.0	49
41	CHICK-FIL-A	263,807	232,189	13.6	661	411	386	6.5	43
42	ARK RESTAURANTS	43,000*	37,853	13.6	2,050	21	19	10.5	37
43	SHARI'S RESTAURANTS	42,000*	37,000*	13.5	1,050	46	42	9.5	39
44	COUNTRY PRIDE ESTAURANTS	51,000*	45,000*	13.3	1,265	43	37	16.2	31
45	KING'S FAMILY RESTAURANTS	34,000	30,000	13.3	1,400	22	20	10.0	38
46	PERKO'S KOFFEE KUP	39,700*	35,200*	12.8	925	43	40	7.5	42
47	MR. HERO/MR. PHILLY	45,000	40,000	12.5	400	131	125	4.8	46
48	DAMON'S	45,000*	40,100	12.2	1,225	38	34	11.8	35
49	WAFFLE HOUSE	280,000*	250,000*	12.0	410	685	667	2.7	48
50	TWO PESOS	40,000	36,000*	11.1	1,540	26	28	(7.1)	50

* Technomic estimate

Only companies with at least a 10% growth rate in sales from 1988 to 1989 and 1989 U.S. systemwide sales between $20 million and $300 million were included in this study.



Source: Technomic Inc. Chart by Peter K. Niceberg

2 Soup Exchange

San Diego, CA

RANK BY UNITS: 1

1989 U.S. Systemwide Sales:	**$46,060,000**
1989 U.S. Systemwide Units:	**29**

Soup Exchange's "All-you-should-eat" soup and salad bar concept is hitting markets all over the world. Big-name franchisees are taking the chain to Kansas City, MO, the Northeast, Denver, Raleigh, Atlanta, Canada, Australia, Japan, and Europe. A prototype smaller unit is being developed for international expansion. Soup Exchange's 60 salad bar items and six soups will soon be supplemented with low-sodium, low-cholesterol pasta salads.

3 Rally's

Louisville, KY

RANK BY UNITS: 2

1989 U.S. Systemwide Sales:	**$132,620,000**
1989 U.S. Systemwide Units:	**192**

Rally's is poised to take its broad fast-food menu and double-drive-thru format to sites around the country, and will start by adding 80 company and franchised units to the chain in 1990, for a total of 275 units by year end. Now in 24 states, Rally's plans to fill out existing markets this year. The company went public in October 1989, and a controlling interest (48%) was acquired by a group led by California investor Burt Sugarman. The stock price has risen nearly 25% since then.

4 Old Country Buffet

Eden Prairie, MN

RANK BY UNITS: 8

1989 U.S. Systemwide Sales:	**$115,376,000**
1989 U.S. Systemwide Units:	**78**

Owned by publicly held Buffets Inc., Old Country Buffet is a chain of self-service restaurants located primarily in the Midwest. Restaurants are both company-owned and franchised. Customers pay as they enter the restaurants for lunch, dinner or Sunday breakfast, and help themselves to foods lining two sides of a service line. Second helpings and desserts are available at no extra charge. Many units have banquet rooms.

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5 Hooters

Atlanta

RANK BY UNITS: 7

1989 U.S. Systemwide Sales:	**$60,000,000**
1989 U.S. Systemwide Units:	**33**

Hooters is a chain of casual restaurants with a rustic atmosphere. Most units, both company-owned and franchised, are in the Southeast, Colorado, and Texas. Beginning next year, franchise growth will be through multiunit development agreements only. Catering to a male audience in the 30-to-50-year-old age group, Hooters' specialties are a dish of 36 steamed oysters and a basket of chicken wings. Units have a lively atmosphere. Parent Eastern Foods makes many of the sauces used.

6 I Can't Believe It's Yogurt

Dallas

RANK BY UNITS: 4

1989 U.S. Systemwide Sales:	**$43,000,000**
1989 U.S. Systemwide Units:	**284**

Growth seems to be in the culture at ICBIY. The frozen yogurt specialty shop chain (all but 10 franchised) plans to end calendar 1990 with more than 400 units. Already nationwide, ICBIY is filling out Northeast and Midwest markets. The first Chicago store opened this spring. Unit growth is being helped by a new kiosk program. Cafeterias, office buildings, and supermarkets are featuring one or more three-flavor, self-serve ICBIY dispensers presented in a kiosk format.

STAYING POWER

Only 21 chains have stayed in the Top 50 list since last year.

	This year's rank	*Last year's rank*
Ark Restaurants	**42**	**23**
Bakers Square	**38**	**21**
Black-Eyed Pea	**26**	**29**
Chick-fil-A	**41**	**36**
Cracker Barrel Old Country Store	**16**	**10**
El Pollo Loco	**9**	**4**
Houston's	**40**	**20**
Huddle House	**22**	**40**
L&N Seafood	**7**	**24**
Le Peep Restaurants	**24**	**14**
Levy Restaurants	**20**	**43**
Old Country Buffet	**4**	**5**
Old Spaghetti Warehouse	**29**	**18**
Pizzeria Uno	**13**	**9**
Rally's	**3**	**1**
Red Robin	**21**	**25**
Ruby Tuesday	**15**	**8**
Ryan's Family Steak Houses	**19**	**17**
Sbarro	**18**	**11**
Valentino's	**34**	**22**
Vie De France	**32**	**12**

Source: Technomic Inc.

7 L&N Seafood

Mobile, AL

RANK BY UNITS: 9

1989 U.S. Systemwide Sales:	**$52,800,000**
1989 U.S. Systemwide Units:	**24**

Aiming for rapid growth, this chain has dropped the "Grill" from its name, allowing for significant menu expansion. Joining mesquite-grilled fish on the menu now are live Maine lobster, shellfish, and express lunch items. All fish can be ordered grilled, broiled, or pan-fried. A new decor package is more casual than in the past, featuring a brick exterior with a flat awning. Even the logo has been redesigned. Most new units will be freestanding; the prototype freestanding unit will open soon in Chattanooga, TN.

8 Souplantation

Del Mar, CA

RANK BY UNITS: 5

1989 U.S. Systemwide Sales:	**$35,000,000**
1989 U.S. Systemwide Units:	**18**

While expanding rapidly, this chain of company-owned salad buffet stores works constantly to distinguish itself from its competitors. Adding Caesar salad, focaccia, and chicken sesame salad to Souplantation's 60-item buffet was a recent move in that direction. Units in the Bay Area, Souplantation's newest market, are called Sweet Tomatoes. A smaller, 7,000-sq.-ft. prototype is in the works. Souplantation is owned by privately held Brook & Mack Inc.

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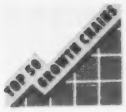

9 El Pollo Loco

Irvine, CA

RANK BY UNITS: 12

1989 U.S. Systemwide Sales:	**$175,000,000**
1989 U.S. Systemwide Units:	**192**

El Pollo Loco's signature charbroiled chicken product is being served in 17 domestic markets; plans call for building more company and franchised units within those markets. Florida, Oregon, Northern California, and Southwestern states will see the most growth. Last October, Winchell's veteran Jim Verney joined El Pollo Loco as president. Like Denny's, El Pollo Loco is owned by TW Food Services of Spartanburg, SC. Coniston Partners holds a majority share in the company.

10 Ruth's Chris Steak House

New Orleans

RANK BY UNITS: 10

1989 U.S. Systemwide Sales:	**$55,000,000**
1989 U.S. Systemwide Units:	**26**

A conservative steak house housed in a variety of types of buildings across the country, Ruth's Chris continues to expand with only four or five new restaurants a year. It began 1990 by opening a unit in the New York City suburb of Weehawken, NJ, and may open company or franchised units in Orlando, FL, Detroit, Baltimore, San Diego, and Toronto, which would be its first international presence. A mixed grill added last year was the only significant food change, and new items, including duck, are in test.

11 Au Bon Pain

Boston

RANK BY UNITS: 16

1989 U.S. Systemwide Sales:	**$58,000,000**
1989 U.S. Systemwide Units:	**71**

This 80-unit chain of French bakery cafes continues to grow at a steady pace, opening approximately 10 stores a year, few of them franchised. For the second year, New York City, Philadelphia, and Washington, DC, are expansion target markets. Looking to broaden its croissant/muffin/sandwich/soup menu, Au Bon Pain has several items in test. Among them are a grilled Cracked Pepper Chicken Sandwich served with a honey-mustard sauce, salad, and frozen yogurt.

12 Lamp Post Pizza

Tustin, CA

RANK BY UNITS: 41

1989 U.S. Systemwide Sales:	**$47,736,000**
1989 U.S. Systemwide Units:	**78**

This rapidly growing pizza chain features a family-oriented atmosphere, catering to the sports-minded consumer. The restaurants serve a menu of pizza and Italian specialties and also offer beer and wine. Benches rather than chairs, and sports memorabilia covering the walls, entice sports teams throughout California to have group meals at Lamp Post. The chain is concentrated in the Southwest market, but all projected growth will be in California. A chicken topping is in test.

13 Pizzeria Uno Restaurant

West Roxbury, MA

RANK BY UNITS: 17

1989 U.S. Systemwide Sales:	**$87,647,000**
1989 U.S. Systemwide Units:	**63**

Opening approximately 20 full-service restaurants a year has reaped annual 35% revenue increases for Pizzeria Uno. New markets include St. Louis; Minneapolis; Nashville; Lexington, KY; and Melbourne, Australia. Major markets such as Boston will see their first Pizzeria Uno TV ads this month. Expanding its specialty menu section with fajitas, ribs, and wings has proven successful, so two more new items—lasagna and tortellini—were rolled out.

14 Everything Yogurt

Staten Island, NY

RANK BY UNITS: 6

1989 U.S. Systemwide Sales:	**$65,000,000**
1989 U.S. Systemwide Units:	**300**

This year, the predominantly franchised healthy food chain introduced its own line of no- and low-fat yogurts, which are available in 40 flavors. A higher-fat gourmet frozen yogurt product is now in test. EY, a new mall concept, will open its first strip center locations this year. And still smaller cart units are popping up in colleges and hospitals. The company also operates a Bananas kiosk, serving fruit shakes, in tandem with its units.

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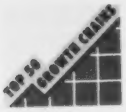

15 Ruby Tuesday
Mobile, AL

RANK BY UNITS: 20
1989 U.S. Systemwide Sales: $166,000,000
1989 U.S. Systemwide Units: 98

While this casual-dining chain fills out existing markets—with an emphasis on upstate New York, New England, and the Washington, DC, and Chicago areas—menu additions are rampant. A new menu includes seafood, fajita chicken and tostada entree salads, barbecued ribs, a barbecue sandwich, Smokey Mountain chicken, Southwestern chicken, and a deep-dish apple walnut pie. This summer, the chain will adopt the ProHealth Dining (PhD) program, a success with parent Morrison's noncommercial division.

16 Cracker Barrel Old Country Store
Lebanon, TN

RANK BY UNITS: 26
1989 U.S. Systemwide Sales: $190,186,000
1989 U.S. Systemwide Units: 79

Cracker Barrel has taken family-style, table-service dining and traditional country fare to new markets. The 85-unit chain has entered Mobile, AL, and plans to take its first step across the Mississippi into St. Louis, later this year. Eighteen stores will open next summer, all company-owned. The trend toward healthy eating has finally hit Cracker Barrel, encouraging the chain known for country ham, biscuits, and gravy to offer options such as egg substitutes, margarine, grilled meats, and summer salads.

17 Cinnabon's World Famous Cinnamon Rolls
Seattle

RANK BY UNITS: 11
1989 U.S. Systemwide Sales: $32,000,000
1989 U.S. Systemwide Units: 125

Although the chain has a narrow menu focus, two new products will complement this chain's signature cinnamon rolls in all stores by year end. Caramel Pecanova is a sticky bun-like product with a hint of rum flavor. A beverage, Mochalata Chill, combines iced coffee, chocolate, and whipped cream. A smaller cinnamon roll, called the Minibon, is in test. Three or four company stores, plus 10 to 20 franchised units, will be added to existing markets nationwide this year.

18 Sbarro
Commack, NY

RANK BY UNITS: 19
1989 U.S. Systemwide Sales: $196,000,000
1989 U.S. Systemwide Units: 369

For three years straight, this quick-service Italian chain has opened an average of one store every five days. In addition to its traditional mall units, Sbarro is building in strip centers. Also, Marriott Corp. is operating toll road units, and Concession Air runs some airport operations. In conjunction with Trusthouse Forte PLC, Sbarro is testing the concept in England. In 1989, Sbarro operated restaurants in 44 states, plus Washington, DC, Canada, and Puerto Rico.

19 Ryan's Family Steak Houses
Greer, SC

RANK BY UNITS: 32
1989 U.S. Systemwide Sales: $295,312,000
1989 U.S. Systemwide Units: 141

To attract the lighter eater, this budget steak-house chain now serves trout, charbroils entrees upon request, offers soft-serve yogurt in addition to ice cream, and features more salads on its Megabar. Decor is lighter and airier. A Mega Express lunch program, enabling customers buying only the Megabar for lunch to use a quicker line, will be in all stores by year end. Expansion of one unit will soon result in Ryan's first 500- seat restaurant.

20 Levy Restaurants
Chicago

RANK BY UNITS: 44
1989 U.S. Systemwide Sales: $65,000,000
1989 U.S. Systemwide Units: 33

This diversified company is experiencing rapid growth in nontraditional markets. New are two concepts, The Fireworks Factory and Portobello Yacht Club, opened last year in Walt Disney World's Pleasure Island. Levy's Specialty Concession business is booming, with new foodservice opportunities at the Arlington International Race Course, the Lincoln Park Zoo, and the new World Music Theater. This spring, Levy began Chef's Express Delivery, offering food from the company's Chicago restaurants.

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21 Red Robin International

Irvine, CA

RANK BY UNITS: 18

1989 U.S. Systemwide Sales:	**$124,000,000**
1989 U.S. Systemwide Units:	**58**

Japan's Skylark Company Ltd. brought in new president Bill Miller in November to re-Americanize the chain. Since then, this casual dinner house has brought back old menu favorites and introduced new pasta and pizza dishes; also reintroduced is the chain's signature humorous menu. Annual unit volumes have since risen from $2.1 million to $2.4 million. A new 240-seat prototype emphasizes terrace seats. Six new units are under construction in West Coast markets.

22 Huddle House

Decatur, GA

RANK BY UNITS: 22

1989 U.S. Systemwide Sales:	**$55,000,000**
1989 U.S. Systemwide Units:	**179**

Privately owned Huddle House added 29 coffee shops during the last fiscal year, a 45% increase. This year, Florida, North Carolina, and Mississippi are targeted. Construction started recently on the chain's first unit inside a multiuse building. Traditional freestanding stores continue to be remodeled. Menus became lighter last year; grilled chicken, a chef's salad, and a club sandwich were added. Under consideration are lighter dressings, a chicken chef's salad, a 16-ounce T-bone steak, and chicken and patty melts.

23 Magic Pan

San Mateo, CA

RANK BY UNITS: 28

1989 U.S. Systemwide Sales:	**$48,000,000**
1989 U.S. Systemwide Units:	**40**

Magic Pan International, a subsidiary of Oakland, CA-based Bay Bottlers, has opened only three units in the last two years, a pace expected to continue. Frogg Lane Bar & Grill is the company's new growth vehicle. After operating only one, in Boston, for many years, the company has opened five within the last year, all in California, and plans to build five to 12 more West Coast units a year. The chain's $6.50 check average reaps approximately $2 million in sales per unit per year.

24 Le Peep Restaurants

Littleton, CO

RANK BY UNITS: 47

1989 U.S. Systemwide Sales:	**$38,000,000**
1989 U.S. Systemwide Units:	**69**

A new executive team took over management of the company in January 1989. After a year of evaluating the concept, they've begun making some major changes. The upscale breakfast, lunch, and brunch chain is testing a dinner menu, which features the standard 60-item menu plus a selection of stir-fry, pasta, and chicken dishes. A children's menu was added last year. The company has also initiated its first marketing and advertising campaign, with the theme "Taste What Makes Us Great."

25 Longhorn Steaks

Atlanta

RANK BY UNITS: 21

1989 U.S. Systemwide Sales:	**$38,000,000**
1989 U.S. Systemwide Units:	**22**

Longhorn Steaks is a traditional upscale steak house, complete with animal heads hanging on the walls. Still, fresh farm-raised salmon from Vancouver was added to the menu earlier this year to provide a lighter choice. A chicken kabob, popular at lunch, may soon be added to the dinner menu, as well. A billboard campaign kicked off this year features a set of horns smashing through a billboard.

26 Black-Eyed Pea

Dallas

RANK BY UNITS: 13

1989 U.S. Systemwide Sales:	**$88,000,000**
1989 U.S. Systemwide Units:	**70**

Under the direction of a new president, Angelo Pitillo, this country-cooking chain will increase by 15 company-owned and franchised stores this year, mainly in the Texas and Washington, DC, markets. Last year, charbroilers were added to all stores so that items such as halibut, chicken, chopped steak, and pork chops could be prepared more healthfully. A Bigger & Better Butter product is new on the menu in 1990.

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27 A & W Restaurants

Dearborn, MI

RANK BY UNITS: 14

1989 U.S. Systemwide Sales:	**$157,872,000**
1989 U.S. Systemwide Units:	**602**

This fast-food hamburger chain continues to grow in its existing Midwest and West Coast market strongholds. Its signature item is homemade root beer served in frosty mugs. In 1989, the owners of Carousel Snack Bars converted their 100 mall stores into A&W Hot Dogs & More franchises for a boost of growth. This year, 30 new A&W units will open. A new prototype, featuring 1,700-sq.-ft. buildings that house a full menu, drive-thru service and seating, will be used for at least two of the new units.

28 Gold Star Chili

Cincinnati, OH

RANK BY UNITS: 29

1989 U.S. Systemwide Sales:	**$40,000,000**
1989 U.S. Systemwide Units:	**97**

Burger Chef/Hardee's veteran John Sullivan joined this limited-menu fast-food chain as president this spring, bringing hopes of more menu items, better training, and revamped marketing programs to a family-owned operation. Nutrition will be a key issue. Gold Star sells far more Cincinnati-style chili (the signature chili is served over spaghetti with cheese on top) than anyone in this chili-crazed town. The company will soon have its second location in New Jersey's Newark airport.

29 Spaghetti Warehouse

Dallas

RANK BY UNITS: 40

1989 U.S. Systemwide Sales:	**$31,000,000**
1989 U.S. Systemwide Units:	**13**

With average unit volumes of $2.6 million, this midprice Italian chain has decided to change its growth strategy. For the first time in its history, Spaghetti Warehouse is going to franchise, which should speed growth. The chain will open a new unit in Little Rock, AR, in October, and has sites for three more restaurants scheduled for 1991 debuts. A Lasagna Lover's Lasagna promotion early this year increased traffic counts by 5.5% in January and February. Blackboard specials are now in test in three units.

30 O'Charley's

Nashville

RANK BY UNITS: 15

1989 U.S. Systemwide Sales:	**$36,000,000**
1989 U.S. Systemwide Units:	**24**

O'Charley's, a chain of casual-themed dinner houses, has added two restaurants this year, and plans to open two more, for a total of 28. One unit will be in Memphis, a new market; other locations are Louisville, KY; Oxford, AL; Knoxville, TN; and Pensacola, FL. Unit volumes average $1.7 million. Full bar service is offered. The last five restaurants opened have featured a more upscale decor, including historical paraphernalia such as old photographs and golf clubs.

31 Hungry Howie's Pizza & Subs

Livonia, MI

RANK BY UNITS: 33

1989 U.S. Systemwide Sales:	**$50,000,000**
1989 U.S. Systemwide Units:	**160**

Flavored-crust pizza distinguishes Hungry Howie's from its competitors, and multiunit franchise agreements will help take the show on the road. Northern California and two Michigan markets were new in 1989; this year Port Huron, MI, and the I-75 corridor are target markets. Hungry Howie's brought its first-ever manager of marketing and public relations on board in January. A Preferred Customer Plan is under development.

32 Vie De France

McLean, VA

RANK BY UNITS: 34

1989 U.S. Systemwide Sales:	**$38,000,000**
1989 U.S. Systemwide Units:	**57**

The French bakery and cafe chain recently opened several locations at Washington, DC's National Airport. While some are kiosks or carts, the newest is a full-service, 200-seat restaurant featuring entrees prepared from the company's new wholesale sous vide line. Rack of lamb and poached salmon are typical entrees, which will soon be tested in Vie de France downtown locations. For the first time, Vie de France has begun promotions and advertising.

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33 In-N-Out Burger

Baldwin Park, CA

RANK BY UNITS: 23

1989 U.S. Systemwide Sales:	**$33,000,000**
1989 U.S. Systemwide Units:	**56**

Year after year this tortoise plods steadily through its California market area, not penetrating new markets, not franchising units, and not adding new products to its 11-item, all-scratch menu. Still, In-N-Out continues to thrive, maintaining a strong, faithful following among its customers. A new television and radio campaign using the familiar "In-N-Out, that's what a hamburger's all about" theme was initiated this year to remind customers to visit the chain's drive-thru units.

34 Valentino's

Lincoln, NE

RANK BY UNITS: 27

1989 U.S. Systemwide Sales:	**$32,000,000**
1989 U.S. Systemwide Units:	**40**

Profits from Valentino's family-style Italian restaurants, which feature a comprehensive buffet of traditional Italian dishes, have provided the company with enough capital to open many of its own units; the chain plans to stop franchising in the near future. However, it will continue to expand in the Midwest. A commissary will likely be built to accommodate all units and streamline operations; it may also be used for another Val Ltd. subsidiary, the King's hamburger concept.

35 Garcia's Mexican Restaurants

Scottsdale, AZ

RANK BY UNITS: 36

1989 U.S. Systemwide Sales:	**$72,258,000**
1989 U.S. Systemwide Units:	**49**

While Garcia's expands its Mexican dinnerhouse concept more fully into California and begins expansion on the East Coast, menu additions have been a focus of increasing unit sales. A new menu includes corn cob soup, potato skins, and two new combination plates, the El Grande Sampler and The Big Dinner. Steak and chicken picado are also new, as is a daily luncheon special. Decor upgrades of existing units feature a clean, Mayan look replete with idols and ceramic pots.

36 The American Cafe

Laurel, MD

RANK BY UNITS: 30

1989 U.S. Systemwide Sales:	**$35,000,000**
1989 U.S. Systemwide Units:	**14**

As American Cafe continues to bring its regional American cuisine restaurants to four more capital-area sites a year, it has added a second growth vehicle, American Cafe Express. The limited-menu, fast-food-style Express generates $800/year per square foot. A new prototype for the American Cafe unit is opening in August and will feature an understated decor. Typical customer: upwardly mobile 25- to 49-year-old; working women account for more than 50% of the market. The chain is owned by W.R. Grace & Co.

37 Maid-Rite Sandwich Shops

Des Moines, IA

RANK BY UNITS: 24

1989 U.S. Systemwide Sales:	**$56,000,000**
1989 U.S. Systemwide Units:	**180**

This 64-year-old company specializes in selling a specially seasoned double-ground loose meat sandwich on a hamburger bun. Maid-Rite recently decided to grow nationwide; it has commitments for an additional 100 stores, 30 to 50 of which should be open by year end, and is looking for more franchisees. Chain is operating primarily in Iowa, but also in Missouri, Arkansas, Minnesota, Colorado, Arizona, and Illinois. Decor upgrades, featuring its red, white and black decor, are providing a more consistent look.

38 Bakers Square Restaurant & Pie Shop

Denver

RANK BY UNITS: 45

1989 U.S. Systemwide Sales:	**$216,800,000**
1989 U.S. Systemwide Units:	**159**

Finally coming out of a long struggle caused by converting Sambo's units to Bakers Square, parent VICORP's stock has doubled in the last year. With a presence in many Midwest and California markets, expansion focuses on filling in existing markets. All units are company owned and are located in nine states. The family-oriented chain specializes in freshly baked pies (45% of sales). Lunch, dinner, and snacks are also served. Mixed-grill dinners were added to the menu early this year.

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39 Nathan's Famous

Westbury, NY

RANK BY UNITS: 25

1989 U.S. Systemwide Sales:	**$40,000,000**
1989 U.S. Systemwide Units:	**46**

This privately held, 75-year-old hot dog chain plans to double the number of franchised stores to 80 by year-end '91, and grow to 250 franchised units within three to five years. In conjunction with franchisee Marriott Corp., new Nathan's units will be located on tollways, in airports, and in noncommercial foodservice facilities. A double-drive-thru-only prototype is also being developed. Markets being eyed outside Nathan's East Coast stronghold are the West Coast, Puerto Rico, the Far East, and Europe.

40 Houston's

Atlanta

RANK BY UNITS: 49

1989 U.S. Systemwide Sales:	**$81,000,000**
1989 U.S. Systemwide Units:	**18**

Privately held Houston's takes the slow, low-key route to growth. However, with average unit volumes exceeding $4 million, even two or three new openings this year will keep the upscale, table-service chain in our Top 50. Already in 11 states and Washington, DC, Houston's plans to enter Boca Raton, FL, and Manhattan Beach, CA, this year. A second unit will be opening in New Orleans soon. All Houston's units are owned and operated by the company.

41 Chick-fil-A

Atlanta

RANK BY UNITS: 43

1989 U.S. Systemwide Sales:	**$263,807,000**
1989 U.S. Systemwide Units:	**411**

Looking to attract the calorie-conscious fast-food eater, in June Chick-fil-A introduced a sugar-free version of its signature hand-squeezed lemonade, made with an artificial sweetener. The company, known for fried boneless chicken, had already rolled out a few chargrilled chicken items and a salad. The privately held company continues to grow at its 35-store-a-year rate, opening joint-venture stores with mom-and-pop operators. Half of 1990's new stores will be freestanding, a change for this mall-location chain.

42 Ark Restaurants

New York City

RANK BY UNITS: 37

1989 U.S. Systemwide Sales:	**$43,000,000**
1989 U.S. Systemwide Units:	**21**

Ark operates 18 urban restaurants, almost all distinctly different concepts. Its latest unit is Sequoia, a 1,000-seat waterfront restaurant in Washington, DC, at the site of Warner Leroy's defunct Potomac. Two more projects will be announced shortly. Last year, the innovative company opened three new restaurants, two of them partnerships with big-name restaurateurs who came to Ark management for New York know-how, deep pockets, and enviable purchasing power.

43 Shari's Restaurants

Portland, OR

RANK BY UNITS: 39

1989 U.S. Systemwide Sales:	**$42,000,000**
1989 U.S. Systemwide Units:	**46**

This 24-hour coffee-shop chain underwent a leveraged buyout in June 1989 from StratAmerica Corp., and, at about the same time, began an expansion program. Parent Shari's Management Corp. owns and operates 34 family-style restaurants in Washington and Oregon, and plans to open eight to 10 more a year in those states. Sole licensee Shari's Franchise Corp., Sacramento, CA, owns nine units, which the parent company manages. Estimated average unit volume for '89 is $1.05 million.

44 Country Pride Restaurants

Cleveland

RANK BY UNITS: 31

1989 U.S. Systemwide Sales:	**$51,000,000**
1989 U.S. Systemwide Units:	**43**

Country Pride units are 24-hour coffee shops located in truck stops across the country, in complexes offering shower and sleeping accommodations. Operated by Truckstops of America, a division of British Petroleum, the family-style restaurant chain has only three franchise locations. A new franchising program will soon be introduced, however. Some health-oriented foods were added to the menu in May 1989, and more are in test. David Robb was named president in January.

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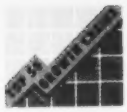


45 King's Family Restaurants

McKeesport, PA

RANK BY UNITS: 38

1989 U.S. Systemwide Sales:	**$34,000,000**
1989 U.S. Systemwide Units:	**22**

Parent King's Country Shoppes keeps its King's Family Restaurants chain close to home, opening only one to three 24-hour restaurants a year and never straying far from its Western Pennsylvanic base. Responding to consumer requests, the chain is testing lower-fat ingredients and items such as margarine, skim milk, and oat bran muffins in its stores. The three newest King's Family units feature a lighter decor package, using pastel colors with the chain's signature country motif.

46 Perko's Koffee Kup

Fresno, CA

RANK BY UNITS: 42

1989 U.S. Systemwide Sales:	**$39,700,000**
1989 U.S. Systemwide Units:	**43**

Nearly two decades old, this family-style coffee-chain plans a major expansion soon, looking to add 25 stores within five years. Franchised units would account for most of that growth. A new advertising campaign late last year in two California markets increased sales by as much as 16%. The theme was "Down Home Cooking at Down Home Prices." Wolfman Jack hosted a radio add touting Perko's June/July '50s promotion, "Perko's Greatest Dining Hits."

47 Mr. Hero/Mr. Philly

Middleburg Heights, OH

RANK BY UNITS: 46

1989 U.S. Systemwide Sales:	**$45,000,000**
1989 U.S. Systemwide Units:	**131**

Aiming to attract more families to this quick-service concept, Mr. Hero (the company's growth vehicle) launched a children's menu in June, backed by a full media program. Items, served with a premium in a colorful box, include all-muscle Chicken Tenders in sandwich or boat form, a hamburger, or half a "Deli-Bite" or regular sandwich. This fall, a chopped, lean muscle steak sandwich on an oat bran roll, with no saturated fats, will be tested. Soft-serve and hard yogurts are currently in test.

48 Damon's—The Place For Ribs

Hilton Head Island, SC

RANK BY UNITS: 35

1989 U.S. Systemwide Sales:	**$45,000,000**
1989 U.S. Systemwide Units:	**38**

Damon's will bring its table-service barbecue concept to Michigan and Pennsylvania in 1990, giving the franchised and subfranchised chain a 12-state presence. Eight units have been upgraded to Damon's Clubhouse, featuring an upscale decor, big-screen TVs, and an interactive video system that enables customers in stores across the country to compete in sports-related games. In late '89 Damon's expanded its menu, adding chicken wings and nachos, five chicken sandwiches, and entree salads.

49 Waffle House

Norcross, GA

RANK BY UNITS: 48

1989 U.S. Systemwide Sales:	**$280,000,000**
1989 U.S. Systemwide Units:	**685**

This 24-hour coffee-shop chain has two goals for the 1990s: to be America's place to work and to eat. Training is behind the new emphasis. Waffle House University opened a year ago, and many new programs are being developed. Waffle House is concentrating on expanding with company-owned stores only. The restaurants now operate in 20 states, including Georgia, Texas, Florida, Colorado, New Mexico, and Indiana. Menu: breakfast specialties and dinner items, including chicken, seafood, and sandwiches.

50 Two Pesos Mexican Cafes

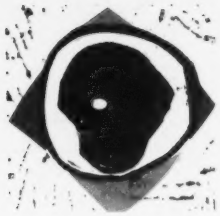
Houston, TX

RANK BY UNITS: 50

1989 U.S. Systemwide Sales:	**$40,000,000**
1989 U.S. Systemwide Units:	**26**

After two unprofitable years, this upscale quick-service Mexican chain saw top management changes recently. Its president and executive vice president resigned, leaving chairman Marno McDermott to handle all company operations for two months. In April, Houston restaurateur Ghulam Bombaywala came on board as president; he'll eventually take over 25% of the company's stock and become CEO. Meanwhile, Two Pesos unveiled its Two Pesos II unit, one-quarter the size of a traditional store.

RB



STEAK

MARKET SEGMENT REPORT

BY JACQUE KOCHAK

Diners look upon steak dinners as a special occasion meal.

The steak house segment continues to be a study in contradictions, a puzzle with pieces that don't quite fit. The puzzle is, that while beef sales continue to decline, upscale steak restaurants glory in ever-increasing sales bolstered by the loyalty of a well-heeled clientele. Meanwhile, the former budget steak houses continue their successful march into the family segment.

Although Stuart Anderson's Black Angus/Cattle Company Restaurants focuses on beef, it also has seafood entrees.

Steak houses such as Morton's in Chicago, Peter Luger's and Smith & Wollensky in New York City, and Bern's in Miami serve prime, aged beef. Business executives on expense accounts and special-occasion diners relish the chance to sup on the kind of succulent beef that is difficult to find elsewhere, and they're willing to pay top dollar.

BETTER THAN EVER. "I keep reading that less beef is being consumed, but that must be in the home, not in restaurants," says Ruth Fertel, founder of New Orleans-based Ruth's Chris Steak Houses, an upscale chain. "Even in New Orleans, which is in a recession, our sales are better than ever."

Most of the former budget steak houses are doing well, too, although few are squarely in the steak house segment anymore. Some of them now derive less than 50% of sales from beef. After a period of struggle as red meat sales dropped off, most chains have adjusted—and changed images.

Now, the segment is extremely competitive and widely viewed as being mature, but some prognosticators see cause for real optimism in demographic trends. For example, many were surprised when industry veterans Michael Stack and Frank Carney bought Western Sizzlin' a couple of years ago, but Stack says that the chain fit a predetermined profile.

"We like midscale restaurants better than fast food, because an aging population is moving toward midprice, comfortable restaurants," Stack says.

The trend is, indeed, away from the consumption of red meat, but the reasons for the decline are still un-

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clear. Americans have been eating less meat every year since 1971, and beef consumption in particular has been declining since 1976, according to Judith Putnam, USDA Food Consumption Department. That year, the average American ate 88.9 lb. of beef; by 1989, that figure had slipped to 65 lb. a year.

In 1976, however, beef was, comparatively speaking, a real bargain. Beef prices were low in comparison to competing foods. Today, poultry and pork are seen as a much better value, while beef prices can strain the budget.

It is clear that foodservice operators—except for upscale steak houses—are offering a lower proportion of meat items on their menus. According to the National Restaurant Association's 1990 Foodservice Industry Forecast, meat entrees composed the largest percentage of entrees in 1984 at 27%. Yet five years later, in 1989, meat entrees made up only 22% of entrees. All types of meat entrees (beef, pork, veal, lamb, and game) declined in share except for pork, up by 31%.

FAMILY STEAK HOUSES. By far the largest factor in the steak house segment is giant Metromedia Steak Houses Inc., born of the marriage of Ponderosa and Bonanza steak houses earlier this year. Dayton, OH-based Metromedia steak houses is a wholly owned subsidiary of giant Metromedia Inc.; total 1989 systemwide sales for the steak houses reached $1.3 billion.

Ponderosa spokeswoman Margaret Nelson says that the company does not release very much information, but that the division operates 397 company-owned units, 307 domestic franchised units, and 31 international franchised units. Average unit sales for a domestic franchised Ponderosa in 1989 topped $1 million.

Some steak chains derive less than 50% of sales from beef.

Bonanza operates 574 family restaurants, 508 domestic franchised units, 64 international franchised units, and only two company-owned units. Average sales for a domestic franchised Bonanza unit were approximately $965,000.

Bonanza's vice president of marketing, Lane Schmeising, says that the company's expansion plans call for continued new openings, with 30 under development at present.

The company's marketing focus right now is on "providing exceptional value, delivered by a variety of menu items," says Schmeising.

A series of new broiled products is being rolled out, including two steaks. One is a peppercorn sirloin, and one is a Hawaiian sirloin with a teriyaki and pineapple marinade. Also included is broiled shrimp.

Schmeising notes that Bonanza's menu mix has stabilized in the last couple of years, with red meat now generating about 40% of sales compared with 70% six or seven years ago.

Los Angeles-based Sizzler, a subsidiary of Collins Foods, continues to announce that the concept no longer fits into the steak house segment, and rightly so. Beginning in 1983, Sizzler began a transformation that has moved its restaurants squarely into the family dining segment. The result has been steady growth over the last five years.

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Ruth Fertel is founder of Ruth's Chris Steak Houses, an upscale chain.

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Sizzler now serve a varied menu, with steak making up only 35% of sales. As the menu changed, so did units. Restaurants now boast lots of glass and plants, and a much lighter atmosphere than in the past.

The company, with nearly half its units in California, is expanding into the Northeast and Southeast. Franchise agreements have been finalized for expansion into the Pacific Basin.

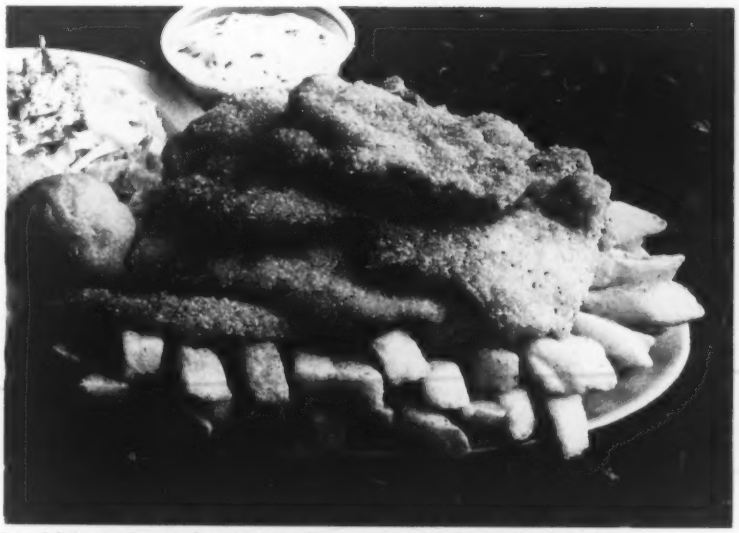
Dallas-based Western Sizzlin' Inc., with 515 units and 1989 systemwide sales of $465 million, has shown impressive sales growth since its acquisition in late 1988. The company is now owned by Intermark/Triton, a $1 billion operating and holding company that holds 51% of the company, and a management group led by Michael Stack and Frank Carney, which owns 49%.

Carney, one of the founders of Pizza Hut, is chairman of the board and responsible for strategic planning, franchising, marketing, and site selection. President Stack has also held that position at Stack Enterprises, a company involved in restaurant development, acquisitions, management, consulting, and private investments, since 1984. Previously, he was a Chi-Chi's franchisee and worked for Pizza Hut, Marriott, and Host International.

Their decision to buy the ailing chain has clearly paid off. Since the company's acquisition, average unit sales are up 18%, to $918,000. A Japanese restaurant company has signed a franchising agreement for 250 locations over the next 24 years, and a new Canadian franchisee has agreed to open another 250 units over the next 20 years. Several domestic area development agreements have been sold, and the company continues to sell single unit franchises in selected areas.

Stack attributes the company's successes to the introduction of new menu items, and new marketing and training programs for franchisees.

Both seafood and chicken have been added to the menu, and a $2.99 lunch program featuring 20 luncheon entrees has been introduced. Entrees range from a chicken breast platter featuring teriyaki, barbecue, grilled, Cajun or fried chicken, to a catch-of-the-day and a luncheon-sized country-fried steak with mushroom or cream gravy.



In addition to its steaks, Western Steer has revamped its food buffet.

Many steak chains find themselves in competition with family dining chains.

All new television commercials have been aired, and the whole marketing program has been revamped. Franchisees have received new support materials. A new restaurant prototype has been developed, with several of the Texas colonial buildings under construction and a number of other restaurants being remodeled. The company also introduced new logo graphics and redesigned menu boards. The new logo advertises "steak and more."

Western Sizzlin's units are clustered primarily in the Southeast, reaching into the Northeast and the Southwest. Part of the company's strategy is to solidify the Southeastern core market through the establishment of standards, then retrain franchisees to comply with those policies.

The company's goal is to expand its restaurant system to over 1,000 locations by the end of 1995. Of the 1,000 units, 25% will be company owned.

Greenville, SC-based Ryan's Steak Houses, a company that dazzled the industry in past years with its sales growth but encountered some problems in the last couple of years, has regained its stability. Sales for the first quarter were up 4% to 6% over the prior year period, says Randy Hart, vice president of human resources.

MEGA BAR. The company has been updating and remodeling units. Ryan's Mega Bar, an overflowing, all-you-can-eat buffet, continues to contribute 50% of sales, says Hart.

Ryan's is located in 19 states, primarily in the Southeast but scattered as far

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STEAK

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as Michigan, Indiana, Illinois, and Missouri. Sixteen company units are planned to open in 1990, plus three new franchised units.

Systemwide sales in 1989 reached $300 million, with average unit volume of $2.3 million. The company operates 147 units; 32 are franchised.

Spartanburg, SC-based Quincy's Family Steak Houses is part of TW Services, the fourth largest foodservice company in the U.S. with 1989 revenues of $3.5 billion. In addition to Quincy's, TW Services owns Canteen Corp., Denny's Restaurants, and El Pollo Loco, and franchises Hardee's.

Quincy's sales in 1989 totaled $263 million, with an average check of $5.36 and average unit volume of $1.2 million.

The restaurants offer limited table service, with steak, chicken, and seafood entrees as well as freshly baked rolls and a buffet-style food bar called the Country Sideboard.

The company operates 213 units, all in the Southeast, and manager of public relations, Karen Randall, says that a new television advertising campaign featuring the Big Fat Yeast Roll was recently rolled out.

The advertisements feature a walking, talking yeast roll. Yeast rolls, baked fresh daily, are a signature product for Quincy's and are served with every meal.

Claremont,NC-based WSMP Inc., the parent company of Western Steer steak houses, has developed a new design for its restaurants. The ambience is a big step away from the old, dark, budget steak house atmosphere, with light-toned woods and a modern mauve interior. The center attraction in the new design is the restaurant's food bar.

One of the new units has opened in West Virginia, and the company hopes to open 30 more new units in the next 12 months. Franchisees are also encouraged to lighten up their restaurants with a new decor package.

WSMP's ownership changed just over two years ago, with former franchisee Cecil Hash becoming president. For more than a year, the new owners focused on sharpening internal operations and exploring options for the future. Not until late 1989 were any programs implemented.

In addition to the new design, the company has revamped its food buffet, offering a number of new entrees and lowering the suggested lunch price for the buffet to $3.99 Monday through Friday. The price is $4.99 evenings and weekends. Formerly, the buffet's cost was $4.79 for lunch or dinner.

LESS CHOLESTEROL. WSMP is also beginning to let customers know that its beef is lean, natural aged, USDA choice, and raised by a single supplier to contain less cholesterol than comparable beef. WSMP's beef contains no more cholesterol than a chicken breast, says senior vice president James C. Richardson Jr., and that fact is being communicated by a series of four new placemats. The first one announces that "We Put Our Steak on a Diet."

The company also recently announced its first year-long national marketing plan, with promotions from April through March of 1991 outlined.

Hutchinson, KS-based Sirloin Stockade, with 69 units in operation from Wisconsin to Texas, is among those former budget steak houses that are continuing to move into the family restaurant segment and reporting sales increases over last year.

Over the next 12 months, an additional 10 to 15 Sirloin Stockade units will open throughout the company's existing market area. Two-thirds of the new units will be opened by existing franchisees and the company, and the other one-third will come from new franchisees.

Like most of the other former budget steak houses, Sirloin Stockade now offers a large food bar, dubbed the Extravaganza Bar, which is now going into all stores. The company has also added three Delite entrees, all of them low in sodium, cholesterol, saturated fats, and calories.

Nevertheless, some 75% of sales still derive from red meat. Among the popu-

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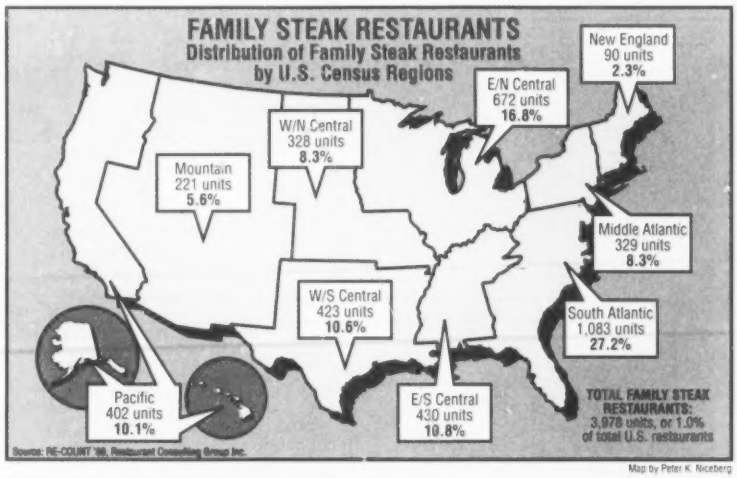
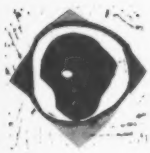


About 27% of family steak restaurants are located in the South Atlantic region.



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lar meat entrees are chicken-fried steak, chopped steak, and meat loaf.

The company is going through a period of revamping its way of doing things in a number of areas. For example, it has a series of 11 training films plus booklets for hourly employees, with the aim of cutting down on turnover. New uniforms have been introduced, as well as new menu boards and a new marketing program.

FIRMLY FOCUSED. Solana Beach, CA-based Chart House Inc., long a strong but silent competitor in the upscale part of the steak segment, is now publicly traded and executives are willing to talk about the $140 million company.

Steven Rockwell of Alex. Brown & Sons, a restaurant analyst, notes that Chart House is the most upscale of any publicly owned restaurant company. He adds that the company is in an excellent position to take advantage of long-term demographic trends, such as the aging and increasing affluence of the population. He says that Chart House benefits from being a well-run, well-established chain in a market dominated by independents and regional chains.

The company operates 60 Chart House restaurants as well as 24 Paradise Bakery mall outlets. Chart Houses are typically open only for dinner and offer steak, prime rib, fresh fish, chicken, and seafood. The average check is about $20, without drinks.

Average unit volumes vary widely, from $2.2 million to $6.3 million. Chart Houses are known for their unconventional locations. Chart House management currently has more than 40 locations under review.

THE TOP STEAKHOUSE CHAINS

COMPANY NAME	1989 SYSTEMWIDE SALES	NUMBER OF UNITS	AVERAGE UNIT VOLUME
Metromedia Steakhouses Dayton, OH	**$1.3 billion**		
• **Ponderosa Division**		**735**	**$1 million**
• **Bonanza Division**		**574**	**$965,000**
Sizzler Los Angeles	**$883 million**	**628**	**$1.5 million**
Western Sizzlin Dallas, TX	**$465 million**	**515**	**$918,000**
Golden Corral Raleigh, NC	**$397 million**	**519**	**$765,000**
Ryan's Greenville, SC	**$300 million**	**147**	**$2.3 million**
Quincy's Spartenburg, SC	**$263 million**	**213**	**$1.2 million**
Western Steer Claremont, NC	**$195 million**	**175**	**$960,000**
Chart House	**$140 million**	**60**	**$3 million***

*Varies widely, from $2.2 to $6.3 million

The steak segment has experienced much consolidation.

Stuart Anderson's Black Angus/Cattle Company Restaurants, owned by Newport, CA-based American Restaurant Group, also continues to focus on beef, achieving success by adding more variety within that category, says vice president of marketing Julia Stewart.

New entrees include a filet mignon stuffed with blue cheese, mushrooms, and herbs ($11.95), and a top sirloin marinated in teriyaki sauce and grilled with fresh pineapple ($9.25). A whiskey pepper steak is coated with coarse black pepper, grilled, and topped with bourbon-laced sauce—price is $8.95 for a petite cut and $9.95 for a regular cut.

New toppers also help add variety and interest to the menu. Steaks can be topped with sautéed mushrooms and sherried *au jus* for an additional $1, or coated with Cajun spices and seared, also for an additional $1. All dinners are served with a new Bountiful Salad, with unlimited refills.

The new menu also incorporates a wine list for the first time. An addition in Southern California is a Fast Track section, with entrees in 10 minutes or less, or free.

The company operates 84 restaurants, most under the Black Angus name but some under the Cattle Company name. American Restaurant Group, which also operates the Velvet Turtle, Spoons Grill & Bar, Grandy's and Spectrum Restaurants chains, does not divulge sales figures for any of its operations.

PRIME APPEAL. Among the upscale restaurants flourishing in the steak house segment are New Orleans-based Ruth's Chris Steak Houses, with 27 units in major cities coast to coast.

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"Our sales are up all over the country," says founder Fertel. "It's amazing. I thought we couldn't beat 1987, but 1988 was better. Then 1989 was better again."

In fact, same-store sales are up as much as 25% over 1988, she says. "I just think that people are looking for a better value for their money," she adds.

The company's sales last year reached $48 million, with units averaging about $2 million apiece. Average check at dinner is $35.

Like other upscale steak houses, Ruth's Chris offers prime, aged beef—unlike the beef the typical consumer finds in local supermarkets. The customer pays a premium, but the sense of value is there.

All 27 Ruth's Chris restaurants offer the same menu, but decor varies from site to site. Most units are freestanding, but the company recently began opening in office buildings, says Fertel.

Seventeen of Ruth's Chris restaurants are franchised, unusual for an upscale concept.

"When a new unit opens, a crew of about seven people and I go there for a month, and we make sure the food and service are right," Fertel says. "We treat each restaurant as though it were independent, not part of a chain. And each restaurant has the freedom to add a few menu items that are particularly popular in the region."

Also thriving is Chicago-based Morton's, with 10 units open in Chicago, Denver, New Orleans, Dallas, Washington, DC, Atlanta, Boston, and Philadelphia. All are company owned; another four units are set to open.

The company's president, Klaus Fritsch, says there have been no changes in the restaurant concept since its inception 12 years ago, yet sales are up slightly this year.

"We don't want to be like every other restaurant. We have our own identity. The guy who wants a steak once a month thinks he might as well have the best, and he knows to come here."

Like other upscale steak house proprietors, Fritsch notes that plenty of customers still like steak. "Our fish and chicken sales are not up, just our red meat sales," he notes.

Among the strong independent operations is Memphis-based Folk's Folly.

Metromedia Steak Houses Inc. combines the Ponderosa and Bonanza chains.

Among the strong independent operators finding durable success in the steak house segment is Memphis-based Folk's Folly, seating 400 people and boasting annual sales of $3.5 million.

Part of Folk's Folly's appeal is the enormous portions. Ribeyes, strips and T-bones weigh in at a full pound.

Despite an emphasis on quality and a $38 average check, Folk's Folly manages to maintain a comfortable, slightly down-home image and ambience. For example, an appetizer lists marinated catfish fillet and fried dill pickle chips along with carpaccio, shrimp remoulade, and crab leg cocktail.

The restaurant was once an old home with wide, breeze-swept verandas, and that comfortable ambience has been retained. There is no dress code, but white tablecloths and a discreet piano player promote a quiet elegance.

Folk's Folly serves only prime, aged beef, and all steaks except T-bones are cut in-house. The restaurant just opened the Prime Cut, a butcher shop on-premise.

Despite past troubled years, the steak house segment is showing a surprising vitality and signs of renewed growth, according to Folks management.

"We offer a few seafood selections, but 85% of our sales come from prime steak," says Folk's Folly general manager Kelley Aur. "Our business increases every year, and we've expanded eight times since we opened 13 years ago. There's clearly a market for steak." **RB**